

## Rural Areas Continue To Benefit from the Economic Expansion

*By many measures rural economies continue to experience the benefits of economic expansion. In particular, rural labor markets have been tight, demand for rural workers strong, and wages have risen. However, income levels continue to be lower for rural households than for urban, and rural areas experience higher poverty rates than urban areas.*

This issue of *Rural Conditions and Trends (RCaT)* presents the annual review of socioeconomic well-being of rural areas in the United States. The last time *RCaT* reported on socioeconomic conditions and trends was in 1996 (Vol. 7, No. 3). In addition to the usual indicators of well-being that have been published in the past issues, this issue of *RCaT* includes several facets of rural well-being that either have not previously been reported on, or have not been written about in some time: multiple jobholding, the working poor, the elderly, immigrants, births to unmarried mothers, and housing. We are pleased to resume publishing the Current Population Survey unemployment rates for metro and nonmetro areas. This issue also includes discussion of long-run trends in personal income, population, and farm operator household income. Some of the earlier appendix tables, such as per capita income by residence, which are usually included here, are not included in this issue. Because of the early timing of this issue, we do not yet have an additional year of data to report. Updates of those appendix tables are planned for future issues of *RCaT*.

The Socioeconomic Conditions issue of *RCaT* is published in order to provide data and analysis on various indicators of rural well-being. Although most of the data used here originates from other government agencies, many of the indicators for metro/nonmetro are published only by ERS. Because rural areas have historically lagged urban areas by many measures, and indeed rural areas continue to lag in some measures, there is a need to monitor socioeconomic conditions by area of residence. Knowing how rural areas are different than urban areas is crucial in evaluating how policy changes such as welfare reform, the increase in the minimum wage, or immigration reform will affect rural areas.

### **Demand for Rural Workers Strong in the 1990's . .**

In 1990-91 the national economy was in recession. Some analysts feared that rural areas would bear the brunt of the recession, as had happened during the recessions of 1980-82. Instead, rural economies weathered the downturn better than urban ones, and showed strong growth in the first 2 years of the expansion. Rural areas continue to show solid economic performance by several measures.

The most dramatic story is in the rural labor market. Annual average employment growth was 1.6 percent in nonmetro areas over 1990-94, twice the annual average for urban areas (fig. 1). A total of 1.4 million nonmetro jobs were added during the recession and the first 2 years of the expansion. In 1994 nonmetro job growth was especially strong at 2.8 percent, and in particular, the nonmetro West enjoyed a 4.5-percent increase in jobs. Over 1994-96, the rate of growth of nonmetro jobs averaged 1.3 percent, while metro areas finally caught up with an annual growth rate of 1.7 percent. An additional 600,000 jobs were added in nonmetro areas during these 2 years. Moreover, unemployment in nonmetro areas has been low. In 1996, the nonmetro unemployment rate was 5.6 percent, about the same as the metro rate, 5.4 percent.

The rural employment growth experience of the 1990's is in sharp contrast to that of the 1980's. After the recessions of 1980-82, rural areas did not catch up to urban areas until 1988. ERS research found that it was not the 1980-82 recessions themselves that hit rural labor markets so hard, but the particular financial market conditions of the mid-1980's—the high value of the dollar and high interest rates. The rural labor market is more sensitive to exchange rate movements and appears more export-dependent than urban areas. The high levels of exports that have been maintained in the 1990's have contributed to the tight rural labor markets.

The tighter nonmetro labor market translated into higher wages for workers. Nonmetro real earnings increased 1.8 percent over 1990-96, while metro earnings fell slightly.

Wage inequality declined in nonmetro areas, while metro areas were experiencing an increase in wage inequality. Another sign of strong demand for nonmetro workers is the rate of multiple jobholding, which is higher in nonmetro areas.

In the farm sector, too, we also find a strong labor market. The number of hired farmworkers in 1996 increased to the highest level seen in the 1990's, 906,000. Wages were up as well. Weekly real earnings for full-time farmwork—one of the lowest-paying occupations in the U.S. economy—were up 5.6 percent since 1994, to \$280 in 1996.

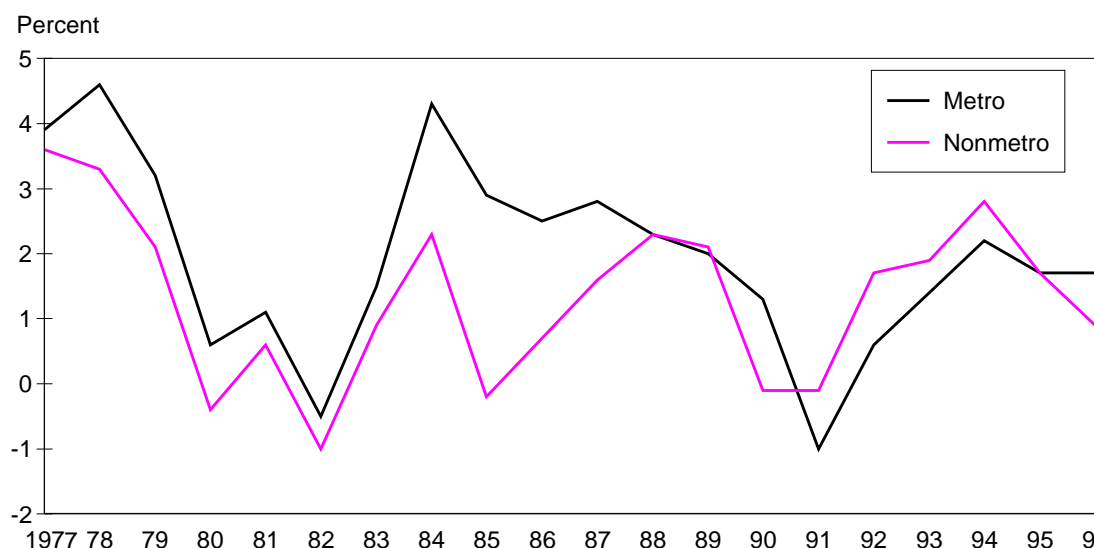
Another indicator of the economic strength of rural areas in this expansion is that median household income increased by 2.9 percent from 1994 to 1995, to \$27,776. In addition, median real personal income for rural areas increased over the 1990's.

The strong rural employment news is matched by population trends: the nonmetro population grew by about 6 percent during 1990-96. Half of the population increase was due to a net inflow of 1.5 million people from metro areas. Because the incomes of nonmetro immigrants were greater than the incomes of nonmetro outmigrants, rural per capita income grew over 1992-95. This trend is particularly striking in high-amenity counties such as in the Pacific and intermountain West, the Appalachians, the Ozark-Ouachita Plateau, the Upper Great Lakes, and rural New England.

### **. . . However Rural Incomes Continue To Be Less than Urban**

Despite the recent positive economic signs, rural areas continue to face challenges. Rural median household income is only about 77 percent that of urban areas. In particular, median income of rural Black households and female-headed households is only about half of the rural median. The poverty rate in rural areas continues to be higher than for urban, 15.6 percent for rural versus 13.4 percent urban. The poverty rate in the rural South is 19.2 percent, and over half of the rural poor live in the South. Of particular concern is the finding that rural workers are more likely to be below or near the poverty line. The fact that work does not necessarily lift a family out of poverty is especially true in rural areas. [Karen S. Hamrick, 202-219-0789 (after October 24, 202-694-5426), [khamrick@econ.ag.gov](mailto:khamrick@econ.ag.gov)]

Figure 1  
**Employment growth, 1977-96**  
*Nonmetro employment growth surpassed metro in the 1990's*



Source: Calculated by ERS using Local Area Unemployment Statistics data from the Bureau of Labor Statistics.